

Summary of Ninth Consortium Board Meeting

Virtual Meeting, September 27th, 2012

Participants: Carlos Pérez del Castillo (CB Chair), Carl Hausmann (CB Vice Chair), Consortium Board Members Mohamed Ait-Kadi, Ganesan Balachander, Gebisa Ejeta, Ian Goldin, Lynn Haight, Agnes Mwang'ombe, Pamela Anderson (Centers' representative), Alan Tollervey (Fund Council Representative), Frank Rijsberman (Consortium CEO), Daniela Alfaro (Board Secretary), and Ruth Malan (CB Chair Senior Secretary).

Apologies: Tom Arnold (CB Member).

1. Welcome and Opening Remarks from the Consortium Board Chair

The CB Chair indicated that the background documents of the ten agenda items, as well as the annotated agenda, for the current CB virtual meeting had been circulated well in advance for reading by the CB members, and he thanked the Consortium Office for this preparatory work. Due to the long and comprehensive agenda and limited time for discussions, he requested all participants to be very concise with their comments. An update of activities since the May 2012 CB8 virtual meeting was included in the Report to the Board of the CGIAR Consortium by the CEO, dated September 26th, as well as in the 2013 Program of Work & Budget (POWB). The CB Chair highlighted that the present top priority of the Consortium is to unblock the freezing of funds on Window 1 (W1) & Window 2 (W2) that the Fund Council (FC) has unilaterally decided upon as a result of IITA failed investment.

2. Update from the Chair of the Audit & Risk Management Committee (ARC)

The Chair of the ARC informed the CB about the on-going consultation with Centers on CRP auditing, which concluded with a memorandum summarizing the results sent to Centers on September 28th, and the relationship between the Internal Audit Unit (IAU) and the Consortium. The ARC met virtually on September 19th with the Director of the CGIAR IAU, the Board Chair, the CEO, as well as the Director of Finance and Corporate Services, and recommended two motions for approval by the CB at its current virtual meeting.

The first motion is that the Consortium should proceed to implement a proposal to establish a single, centralized, IA function for the CGIAR. For this purpose, the IAU Director prepared a "Framework for forming a single Internal Audit function for the CGIAR Consortium and Centers as a whole", which was sent to CB members in advance. Although the ARC was making this recommendation to the CB, details of the implementation were for future settlement.

The second motion consists of two proposals, namely (i) the Consortium will engage Bioversity's external audit PWC for the Consortium 2012 Financial Statements and; (ii) the Consortium should proceed to develop a proposal, for discussion and finalization with Centers by 2013, regarding the feasibility to engage a single accounting firm as the CGIAR Auditor. This means a single contract with the CGIAR Consortium covering the Consortium and all Centers through a single system-wide external audit, which would be contracted separately by the Consortium Office (CO) and the Centers themselves.

In light of different questions from CB members, the CEO and the Centers' representative clarified that the 2012 External Audit will only be for the 2012 Consortium Financial Statements, not for the Centers, since they had already contracted their own external Audit firms. From 2013 on, the objective is to have one single external auditor for the CGIAR system that covers the use of funding from the three different Windows, i.e. all the CRPs and the Centers' projects supported by bilateral funding, provided that the costs and benefits of so doing are reasonable.

In addition, the ARC Chair clarified that the hiring of PwC Rome (as one of the 4 big Audit firms), would be convenient for the 2012 Consortium books, as they are presently appointed by Bioversity.

The ARC Chair emphasized the importance of advancing in this process of strengthening system- wide Internal and External Audit functions, aiming at a system that assures quality and manages risk (,) for the Consortium and its Centers as a whole, while recognizing and maintaining the fiduciary responsibility of the Centers. The external audit RFP (Request for Proposal) is trying to ensure the need for CRPs to have a consistent set of audit standards and quality built into the requested proposal. The intent is to build on audits commissioned by and for the Centers rather than add another CGIAR audit layer for CRPs.

Ganesan Balachander suggested setting up a risk-management group that monitors investments. The ARC Chair indicated that such a group may well be created (Audit Committee Chairs, for the internal audit function) which might also satisfy the FC members, as well as giving Centers the opportunity to express their positions. Such proposals are to be discussed in greater detail at the upcoming CB meeting in Punta del Este.

The CB Chair summarized and highlighted that for the external audit, the CB is only requested to take a decision to develop a proposal in consultation with Centers and then, once Centers' comments are received, the Consortium will assess its feasibility.

Decisions:

The CB unanimously approved both motions as proposed by the ARC.

- (i) The Consortium should proceed to implement a proposal to establish a single, centralized Internal Audit Function for the CGIAR, through a decentralized organization with staff embedded in the centers, as presented by the IAU director, which will modify the Internal Audit Unit mandate and organizational structure in order to:**
 - (1) create an explicit CRP auditing function under the managerial ambit of the IAU Director, to be financed by the Consortium, wherein the Director of the IAU will report to the Chair of the Consortium Audit and Risk Committee;**
 - (2) reinforce the auditing function of the IAU for Institutional internal audits, wherein the IAU Director will report to Chairs of the center Board Audit Committees;**

- (3) strengthen the core staffing of the IAU, effectively coordinate the Centers' own internal auditors' work plans with the IAU so as to avoid overlaps, and eventually transfer the home base of the ISAU Director from Los Baños to Montpellier;**
- (4) establish a new governance structure for the IAU whereby the Sponsor Group would be replaced by a committee consisting of the Consortium Audit Committee Chair and all center Board Audit Committee Chairs;**
- (5) revise the IAU costing and fee structure to take into account the new realities and staffing requirements; and**
- (6) discuss implementation of the single Internal Audit function with the centers**

(ii) That:

- (1) the Consortium will engage Bioversity's external auditor (PwC) for the Consortium's 2012 financial statements; and**
- (2) the Consortium should proceed to develop a proposal, for discussion and finalization with Centers, to engage a single accounting firm as the CGIAR auditor, i.e. a single contract with the CGIAR Consortium covering the Consortium and all Centers through a single system wide external audit, and that in the absence of a compelling reason for a Center's non-adoption, all Center Boards would be expected to appoint the CGIAR auditor as the Center auditor.**

3. IITA case

The CEO gave a brief introduction of the situation and developments regarding this matter. He referred to the intensive communications circulated among the CB and Centers led by the Consortium Office, as well as intensive consultations with the FO and FC working group, consisting of seven donors, established to handle this matter.

At this moment, the CO, together with the Consortium Working Group on Governance (to become the Governance, Risk and Compliance Committee of the Consortium Board) and the support of the law firm Arnold & Porter, are concentrating their efforts on providing satisfactory answers by October 1st to the ten questions posed by the FC. This, together with the investigation the FC working group is conducting on the IITA issue, should hopefully lead to the lifting of the fund freeze by mid October for all centers except IITA.

The CEO also informed that there will be a Governance Retreat on December 8th & 9th with Center Director Generals and Center Board Chairs, which will be an opportunity to consult with the centers on governance issues. The outcome of the retreat will then be addressed to the Consortium Board for appropriate action and decisions.

The Centers' representative thanked the CO for their work and asked the CEO what is the process being utilized to obtain Centers' inputs to answer the FCs governance related questions as she has not seen any requests.

The CEO answered that at this stage the Consortium's strategy is to provide generic answers rather than Center specific responses. Center specific material and experience will then be collected and analyzed for the governance review process scheduled to start in October.

Ganesan Balachander asked on the consequences of the funding freeze for IITA and its CRP on Humid Tropics. The CEO replied that the new IITA DG and Board Chair were not involved in the failed investment decisions and indeed have extended their full cooperation in answering questions from the Consortium and Fund Council.

Even though IITA has lost about half of its reserves, they still have some fifty days of reserves (below CGIAR guidelines of 75-90 days). The work of the Center has not been disrupted and it is not in immediate danger. He informed the Board that some donors are, however, cancelling or changing their grants to IITA as a result of the failed investment, which may endanger IITA's future operations. The Consortium has not yet received a satisfactory financial management plan from IITA, despite several versions and increasing interaction between IITA and CO finance staff.

In reference to CRP Humid Tropics (one of the three CRPs pending for approval), the ISPC has reviewed it and it has now been submitted to FC for approval on a no-objection basis. The Consortium expects to learn of its decision fairly soon.

The FC Representative, who is also a member of the FC Working Group (WG), indicated that the intensive consultations with, and flow of information from, the Consortium on this very serious matter had been very useful and had helped to increase the FC's confidence in the Consortium. Even though FC considers the initial non-disclosure of the situation by IITA as being a very serious matter, the goal is now to redevelop greater confidence in the system and work to lift the funding freezing by the end of the month (October) or even before that.

The CB Chair thanked the FC representative for his positive message and emphasized that the Consortium's efforts are also focused on lifting the freeze before the end of October in order to avoid serious damage to the Centers' research work. Once this is accomplished, the system will then have to look at areas that require strengthening in terms of governance. The Consortium will also want to discuss with the FC the consequences of the unilateral decision of the FC to suspend disbursements on the trust and to consider the question of the Consortium and its Centers confidence in the FC.

4. SRF Action Plan

The CB Chair introduced the subject highlighting that the SRF Action Plan is still receiving feedback from external consultations. The CB is asked to approve the document for submission to the Funders Forum on the understanding that there will be some adjustments to the text but this is not expected to change the main issues that are being put forward in this version as feedback to date has been largely positive.

The CEO referred to the Chair's concerns, circulated to all CB members, regarding the ambitious commitments made in this Action Plan on a large number of deliverables in relatively short time-frames, given that they depended on inputs that were not necessarily under the Consortium's control but rather under the control of other stakeholders. The Chairman indicated that since then, he had received reassurances from the CEO that these commitments were the subject of intensive consultations with Centers and that their delivery was feasible.

The CEO indicated that the discussion of this SRF Action Plan will also be on the October 2012 CB10 meeting agenda, but, as it will be held almost simultaneous with the Funders Forum, the CB has to approve the Plan so the Funders' members can analyze it prior to their Forum. In addition, the Consortium is also conducting an e-consultation with feedback from a number of stakeholders.

Some CB members raised questions regarding the SRF Action Plan procedure, mapping of the linkages among CRPs, sequencing of the elaboration of IDOs (Intermediate Development Outcomes) at the CRP level and at the system level, and foresight dimension. Due to lack of time, the CB Chair invited CB members to send their specific concerns by e-mail to all members for further discussion.

The CEO informed the Board of the creation of two linked science-leader WGs related to the development of the SRF Action Plan, where one group will be providing guidance on the elaboration of IDOs at the CRP level, and the other will be working on designing a process for the system-level prioritization in collaboration with the ISPC.

The FC Representative expressed his view that the current version of the SRF Action Plan will substantially improve the SRF. While his organization, DFID, has some reservations on Section 6, he indicated that in general this is a very good document and it was welcomed by most people at the Fund.

Decision:

The CB approved the full draft SRF Action Plan sent out on August 31st with the understanding that the CB will have an opportunity to discuss it in the upcoming CB October meeting and the CEO will present an updated version including the input from the Electronic Feedback performed on September 3rd to 9th, 2012, and an Electronic Consultation, from September 24th to 30th.

5. Consortium Office Products and Services

During June-July of the current year, the Consortium Office prepared a note identifying and clarifying the key Consortium Products and Services, and proposing strategic outcomes for which the Consortium can be held accountable over a 3-5 year period. A draft was shared in July with Consortium Members for consultation. The structure of this note was the starting point of the 2013 Program of Work and Budget (POWB). The note - and the performance indicators and targets it proposes - will be discussed in CB10, but is provided here for information since it gives context and framework for the Consortium's proposed 2013 POWB.

The Board Chair introduced the subject and related it to the next agenda item.

6. 2013 Consortium Program of Work and Budget (POWB)

The CB Chair reminded participants that the Consortium has to submit the 2013 POWB to the FO sufficiently early enough for FC members to analyze it before the October FC8 in Punta del Este. He requested the CEO to brief CB members on the Budget.

The CEO indicated that in the 2013 budget, the Consortium proposes activities in support of the long term strategic objectives, as outlined in the document introduced under Agenda item 5. The intention is that this be discussed in greater detail in Punta del Este. This budget proposes key activities to be carried out in 2013, within an ambitious but realistic work plan.

With that purpose, the budget takes into account existing activity levels extended into 2013 where applicable, plus the new activities and a revised staffing structure. The core budget request is close to \$6.7 million overall, which includes both the Board and Office and is financed from W1, plus a capital fund of \$0.5 million to equip the new Consortium HQ building in 2013/14, and additional project support for some legal and One Corporate System (OCS) activities. Additional resources for implementing the SRF Action Plan and CRP internal auditing are included. Based on discussions with the Fund Office, it proposes to carry into 2013 unspent core funds from 2012. The Consortium Office will request that the budget cap proposed by the FC last year be applied over a three-year rolling plan period.

If the FC does not approve this proposal, the work plan will have to be adjusted, but for the time being, the CEO trusts that this plan, while being ambitious, is feasible, as well as having quite a solid set of arguments that show specific resources needed for the work of the Consortium.

The Board Chair concurred that it is a good plan and set of arguments, and opened the floor for comments.

The Centers' representative indicated that Centers want to see resource mobilization strategy reflected in this document.

The Board Chair replied that the Consortium has been hampered in a sense because the FC had taken more time than expected in producing a CGIAR strategy and the Consortium wants to work with them on this strategy. In the past, the Board Chair carried out missions with the FC Chair, but to-date, their travel

agendas have not been able to coincide. In addition, not only has the recent financial crisis in Europe made it difficult to request any increase in funds, but also the IITA issue created an obstacle for the Consortium to push forward in organizing visits to donors in what remains of the current year. Unfortunately, it has not been possible to implement in 2012 what was initially conceived by the Board Chair, but resource mobilization is certainly a strong item in the budget of the Consortium for next year.

The CEO added that the Consortium has developed a closer relationship with the FO, and the two entities are now exchanging donor information on a regular basis. The most important contribution to resource mobilization of the Consortium and Centers is to build a strong CRP portfolio with clear impacts and demonstrated value for money.

The FC chair has delegated Jonathan Wadsworth to produce a strategic resource mobilization strategy. The FO is recruiting the successor of the Senior Financial Officer/Investor Relations and is proposing to add another resource mobilization position.

The Centers' representative pointed out that in a five-year work plan, a resource mobilization strategy should be one of the deliverables.

Decision: The CB approves the 2013 POWB for the Consortium for onward submission to the Fund Council for the approval of the core budget funded from W1, although there will be another opportunity to revert to this document at the upcoming October CB meeting in Punta del Este.

7. 2013 CRP Financing Plan

The Board Chair introduced the subject, indicating he considers the Plan the CB is asked to approve to be more of an approach than a series of figures as they may change in the near future. The CEO was requested to further elucidate this matter.

The CEO explained that the 2012 plan was presented in March 2012, but this 2013 plan is now put forward in September 2012, as we have insufficient 2012 data, particularly on the distribution of W2 contributions over CRPs, for a solid 2013 forecast. While the FO and CO expect a total W1 plus W2 resource availability of \$340 million for 2013, the exact figures for allocation over CRPs will probably only be available late October. The CEO concurs with the Board Chair's comments, indicating that this year the Consortium is still in a transition between the approach used in 2011 and 2012, which was primarily based on Centers' core contributions in 2009 and the system proposed in the SRF Action Plan to base future allocations on CRP priorities and performance. The key difference between 2012 and 2013 is that the 2013 plan proposes to decouple W1 and W2, and honor donors' intents in allocating contributions to W2. When initially proposed, there were concerns that it would lead to an over-allocation of funds to a restricted number of CRPs resulting in an uneven distribution of funds. However, based on the W2 contributions to-date, that has not been the case.

The ARC Chair emphasized that there are two main changes in the approach proposed for next year. The base year, by which the CRP financing plan is calculated, i.e. moving from a 2009 base to the 2012 actual expenditure patterns, and the decoupling of Windows 1 and 2. They are now de-linked such that W2 is a “leading indicator” of priority leading to total financing at the CRP level. Thus, the first computation was to determine the level of W2 funds to be provided for each CRP and the second calculation is for the W1 funding, estimated as a fixed percentage of the contracted W1-2 level in 2013, for each CRP.

Decision: The CB approved unanimously the approach to develop the 2013 CRP financing Plan and considers that it is ready to be submitted to the FC8.

8. CGIAR Intellectual Assets Principles

The CB Chair introduced the subject explaining that the “CGIAR Intellectual Assets Principles” have been in place since March 7th, 2012 following the approval of the CB and FC. However, there is an overlap between this document and the Consortium Intellectual Assets Policy, approved by the CB in May 2011. According to the note prepared by the CO General Counsel, the sections of the Consortium IA Policy that are not covered in the CGIAR IA Principles will, to the extent possible, be incorporated into the Implementation Guidelines that are currently being developed and this will serve to illustrate the CGIAR IA Principles.

The CB Chair indicated that the Consortium should avoid revoking documents previously approved by the Board, unless they were contradictory and cautioned the Consortium from reiterating this in future. However, under the present circumstances, the Chair reverted to the proposal of revoking the IA Policy.

Ganesan Balachander, who was part of the Consortium WG on IA Principles, agreed with the Chair and added that there are now certain elements included in the principles that were not covered by the Consortium IA Policy.

Decision: The CB revoked unanimously the “Consortium intellectual Assets Policy” approved in May 2011 by this body.

9. Update on GCARD II and parallel meetings

The CB Chair informed that the CGIAR Consortium, as co-sponsor, is supporting GFAR in the organization of GCARD II, mainly in convening high-level speakers, participation of CRPs and in the communication plan. This event will be a forum where CRPs will present their activities related to the three components of the event (foresight, partnerships and capacity development) and receive feedback from attending stakeholders. It is also expected that the event will be an opportunity for the CB Chair and CEO to explain how the CGIAR is working at the system level, in particular in relation to Partnerships and the Performance management system included in the SRF Action Plan.

Approximately 650 participants have been pre-registered for the event of which 100 belong to the CGIAR community. This event will be opened by the GFAR and CB Chairs, and the participation of the Presidents of Uruguay and Benin is expected in the opening session, the latter being also the Chair of African Union.

The agenda, which is still a work-in progress, includes almost 200 speakers. The Organizing Committee of GCARD II, which counts the CO as a member, has recently approved the proposal submitted by the CO.

The Acting Director of Communications, with the support of GlassHouse Partnership and Latin American media agencies, is working on a joint GFAR/GCARD and CGIAR communication plan. The total budget approved is approximately \$150,000.

The Chair, who participated in the second GFAR mission in Uruguay that took place during the last two weeks of June, worked with Monty Jones (GFAR Chair) and Mark Holderness (GFAR Executive Secretary) on the GCARD II agenda and domestic matters.

Currently, the CB Chair is supporting the CO in the preparation of all parallel meetings for GCARD II: CB10 meeting, FC8 meeting, Funders Forum II, as well as a series of meetings planned with the Director Generals, members of the FC and other stakeholders.

10. New Consortium Board members

The Chair of the Nomination and Evaluation Committee (NEC) referred to his September 3rd memorandum already circulated among CB members, describing the procedures for the selection of new CB members in which six potential candidates were nominated (CVs were also attached).

The CB was asked to approve this new procedure of ranking candidates with the aim to select two of them. Following the Board's discussions and ranking the Centers will then be asked to categorize the six candidates as "qualified", "highly qualified" or "most qualified". This assessment, together with the CB's view, will be evaluated by the Chair of the NEC and the Centers' Representative. With the approval of the CB Chair, the names of two final candidates will then be presented to the Centers of the Consortium for formal election. The election timetable should conclude by October 24th, i.e. before the CGIAR meetings scheduled in Punta del Este.

The six candidates are Julio Berdegué, Marion Guillou, Molly Jahn, Martin J. Kropff, Thomas P. Tomich, and Derek Yach, noting that the last candidate has withdrawn for personal reasons.

Mohamed Ait-Kadi inquired on the geographical balance of the proposed candidates.

The NEC Chair replied that the goal is to nominate the best candidate for the job with credentials and experience to complement the integration of the current Board. He emphasized that at this stage is not paramount to name new CB members based on certain "politically correct" criteria but on the need to complement the present Board composition.

Decision: Preferences were expressed by CB members with regards to the candidates and they were duly noted. The responses from the Centers will be added to the assessment made by the CB members when making the final choice of the two candidates to put forward for election.

The CB Chair asked if there were any other business, receiving no requests from CB members. He then proceeded to thank all CB Members for their participation and concluded the meeting, indicating the next CB meeting will be held next October 27th in Punta del Este, Uruguay.